

## Message Text

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ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 PM-03 L-03 NSC-05 CIAE-00

DODE-00 INR-07 NSAE-00 PA-01 USIA-06 PRS-01 SP-02

EB-07 AID-05 PC-01 COME-00 TRSE-00 AGR-05 EA-06 SIL-01

LAB-04 OPIC-03 CIEP-01 OMB-01 XMB-02 /083 W  
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P R 111437Z JUL 75

FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC PRIORITY 1838

INFO AMEMBASSY BLANTYRE

AMEMBASSY DAR ES SALAAM

AMEMBASSY GABORONE

AMEMBASSY LONDON

AMEMBASSY KINSHASA

AMEMBASSY PRETORIA

C O N F I D E N T I A L SECTION 1 OF 2 LUSAKA 1294

EO 11652: GDS

TAGS: PGOV, PINT, ECON, ZA

SUBJECT: ANALYSIS OF KAUNDA'S JUNE 30 REFORMS

REF: LUSAKA 1232

1. PRESIDENT KAUNDA'S MARATHON SPEECH TO NATIONAL COUNCIL LEFT PUBLIC CONCERNED AND UNEASY ABOUT ZAMBIA'S POLITICAL, ECONOMIC AND SOCIAL COURSE. SUBSTANCE OF REFORMS -- MANY OF WHICH PREDICTABLE -- WERE LESS DISTURBING THAN STARTLING, AUTHORITARIAN TONE AND DICTATORIAL STYLE OF KAUNDA, MORE REMINISCENT OF NKRUMAH OR CASTRO. SOME INTERPRET KAUNDA'S CALL FOR "REVOLUTION" AS EVIDENCE OF INCREASING CHINESE INFLUENCE. OTHERS THINK SPEECH MARKS BEGINNING OF KAUNDA'S EVENTUAL DECLINE. INDEED THERE IS LITTLE GENUINE SUPPORT WHICH WE CAN DETECT FOR HIS UTOPIAN DREAM OF TRULY AFRICAN, EGALITARIAN SOCIETY UNDER BLURRY BANNER OF HUMANISM. SOME REGARD AS HIGHLY IRRATIONAL  
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KAUNDA'S EFFORT TO RID COUNTRY OF COLONIAL LEGACIES OF LAISSEZ FAIRE CAPITALISM AND PERNICIOUS CULTURAL INFLUENCES FROM

WEST. OTHERS ARE SKEPTICAL REFORMS CAN BE FULLY IMPLEMENTED. KAUNDA'S VEILED HINT OF COERCION TO ACHIEVE CONFORMITY IS REGARDED BY SOME AS AFFRONT TO PERSONAL LIBERTY.

2. WHILE KAUNDA BECOMING MORE COMPLEX, OUR INITIAL IMPRESSION IS THAT HE REMAINS STABLE, REASONABLY SELF-CONFIDENT, AND STILL VERY MUCH HIS OWN MAN WHO TAKES SPIRITUAL INSPIRATION MORE FROM GANDHI AND CHRIST THAN MAO, ALTHOUGH HE MIXES MAOIST RHETORIC WITH TALK OF "PARTICIPATORY DEMOCRACY." BUT AFTER PREACHING HUMANISM FOR NEARLY 11 YEARS, KAUNDA NOW DEMANDS HIS SOCIALIST GOSPEL BE LIVED. HE IS FRUSTRATED AND DISAPPOINTED THAT ZAMBIANS STILL CLING TO CAPITALISM AND SELF-ENRICHMENT RATHER THAN HIS ABSTRACT IDEOLOGY WHICH WOULD CREATE AND REDISTRIBUTE WEALTH FOR COMMON GOOD.

3. MANY THINGS KAUNDA IS CALLING FOR ARE OBJECTIVELY GOOD AND NEEDED, SUCH AS: A) FACING UP TO ECONOMIC REALITIES ("WE ARE POOR COUNTRY AND MUST ACT ACCORDINGLY"), YET NEITHER KAUNDA NOR HIS MEDIOCRE ADVISORS HAVE ANY REAL GRASP OR APPRECIATION OF BASIC ECONOMIC FACTORS OR THEIR INTER-ACTION; B) CURBING CRIME, CORRUPTION AND ALCOHOLISM, YET PAYOFFS, DRUNKENNESS AND ABSENTEEISM REACH HIGH INTO PARTY AND GOVERNMENT; AND C) GREATER DISCIPLINE TO INCREASE PRODUCTION AND INEFFICIENCY, YET ZAMBIANS WILL NEVER BE CARBON COPIES OF CHINESE WHOSE INDUSTRIOUSNESS KAUNDA SO ADMIRES.

4. ANY SAVINGS WHICH COULD BE GENERATED BY MORE SOCIALIST ECONOMIC ORGANIZATION AND RADICAL CHANGES IN LIFESTYLE WOULD HARDLY BE ADEQUATE TO ACHIEVE SWEEPING REFORMS ANNOUNCED JUNE 30. SUBSTANTIAL INCREASE IN PRICE OF COPPER AND FOREIGN LOANS WOULD BE NEEDED FIRST. CONSTRAINTS ON KAUNDA'S PROPOSALS ARE ENORMOUS. FOR EXAMPLE, HE WANTS ZAMBIA TO BECOME INDEPENDENT OF PRO-CAPITALIST BRITISH COMMON-LAW TRADITION, YET SMALL LEGAL PROFESSION HAS HEAVY BACKLOG OF CIVIL AND CRIMINAL CASES AND IS ALREADY OVERBURDENED WITHOUT TRYING TO RECODIFY LAW. HE WOULD TAKE OVER RENTAL PROPERTIES WITHOUT APPARENTLY HAVING LEARNED FROM TANZANIA'S UNSUCCESSFUL AND COSTLY EXPERIENCE. HE WOULD RESERVE  
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URBANIZATION TREND AND WITH HELP OF ARMED FORCES AND NATIONAL SERVICE LAUNCH COUNTRY-WIDE RURAL RECONSTRUCTION PROGRAM TO GROW MORE FOOD AND SAVE FOREIGN EXCHANGE, BUT WITHOUT INDICATING WHERE TECHNICAL TRAINING AND FINANCING WILL COME FROM. (MANY SUSPECT CHINESE WILL DIRECT ZAMBIA'S AGRICULTURAL REVOLUTION.) KAUNDA WOULD REDUCE ANNUAL SUBSIDIES OF NEARLY \$150 MILLION TO FAILING PARASTATALS WITHOUT PROPOSING ALTERNATIVE SOURCES OF REVENUE. PRICE INCREASES WERE SUGGESTED LATER BY ONE ECONOMIC ADVISOR BUT COULD BE TROUBLESOME UNLESS COUPLED WITH WAGE RISES.

HISTORICALLY MANY OF PRESIDENT'S DICTUMS HAVE PROVED IMPRACTICAL, UNREALISTIC, EVEN ILLEGAL, AND SOME HAVE HAD TO BE WATERED DOWN OR REVERSED. THIS MAY HAPPEN TO SOME OF LATEST REFORMS, SUCH AS SWEEPING REVISION OF LAW AND ABOLITION OF RENTAL PROPERTY.

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C O N F I D E N T I A L SECTION 2 OF 2 LUSAKA 1294

5. CAN KAUNDA EXPECT POLITICAL TROUBLE FROM HIS REFORMS? WE DOUBT SERIOUS TROUBLE OVER NEXT FEW YEARS UNLESS SACRIFICES DEMANDED TO IMPLEMENT REFORMS ARE TOO HARSH OR EXTREME. SOME SOCIO-ECONOMIC CHANGES MAY COME IN AGRARIAN REFORM BUT INFRASTRUCTURE MUST BE CREATED FIRST: A) RADICAL CHANGES IN WAR AGAINST CAPITALISM WILL BE SLOW. MEANWHILE NEW URBAN ELITE IS LIKELY TO GROW AND ITS INFLUENCE AND POWER EXPAND. THIS ELITE, INCLUDES SENIOR PARTY AND GOVERNMENT OFFICIALS AS WELL AS PEOPLE IN TRADES, INDUSTRY AND MINING WHO ARE NOT ENTHUSIASTIC ABOUT KAUNDA'S "REVOLUTION." THEY COULD SABOTAGE IT IN SUBTLE WAYS. PRESENT ECONOMIC DOWNTURN COULD BE ARGUMENT IN THEIR FAVOR. SERIOUS TROUBLE COULD COME FROM URBAN ELITE IF GROSS PRIVILEGES AND

EXCEPTIONS ARE TOLERATED BY KAUNDA, ESPECIALLY AMONG HIS CLOSEST ADVISORS. "INS" COULD SET UPON ONE ANOTHER;  
B) EXPATRIATES WITH MINES, GOVERNMENT, BUSINESS, AND INDUSTRY TOTALLING ABOUT 60,000 OUT OF WAGE EARNING POPULATION OF 500,000 ARE TENDING TO LEAVE AND NOT BEING REPLACED READILY BY ZAMBIANS.  
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THIS PROVIDES URBAN ELITE WITH YET ANOTHER ARGUMENT FOR KAUNDA TO GO SLOW WITH HIS "REVOLUTION;" C) POOR PEOPLE IN URBAN SQUATTER COMPOUNDS COULD CAUSE TROUBLE AS THEY DID LAST NOVEMBER OVER SUDDEN INCREASES IN BREAD PRICE. GOVERNMENT MAY NOT HAVE LEARNED LESSON, MAY BE CLUMSY AND INEPT IN DECLARING PARASTATAL WORKERS REDUNDANT, PERMITTING SHARP RISES IN PRICES OF HITHERTO SUBSIDIZED BASIC COMMODITIES, OR IN ATTEMPTING MOVE LARGE NUMBERS URBAN UNEMPLOYED BACK TO COUNTRYSIDE. HOWEVER, LOWER CLASS IS WITHOUT LEADERSHIP, UNORGANIZED, AND UNLIKELY RESIST VIOLENTLY IF MEASURES INTRODUCED GRADUALLY; D) WE ASSUME NO TROUBLE FROM WITHIN ZAMBIAN ARMED FORCES. MILITARY OF NEARLY 5,000 IS BASICALLY LOYAL TO KAUNDA. IF LIVING STANDARDS DRASTICALLY CUT OR TRIBALISM FANNED, TROOPS COULD REACT. SOME SMALL POCKETS OF MILITARY COULD BE COOPTED BY NEW URBAN ELITE ON TRIBAL GROUNDS IF TROOPS BECAME PERSUADED THAT KAUNDA'S WAR ON CAPITALISM WOULD INTERFERE WITH THEIR LONG TERM PERSONAL INTERESTS AND ASPIRATIONS, ACCUSTOMED AS THEY HAVE BECOME TO WESTERN STANDARDS UNDER EARLIER PERIOD OF BRITISH TRAINING, NOTWITHSTANDING MORE RECENT CHINESE INFLUENCE ON MILITARY.

6. ON BASIS PAST EXPERIENCE SINCE OTHER MILESTONE SPEECHES OF MULUNGUSHI IN 1968, MASTERO IN 1969, AND KABWE IN 1972 AND BARRING TROUBLE POSSIBILITIES CITED ABOVE, WE BELIEVE ZAMBIAN POLITICAL SITUATION WILL ROCK ALONG WITHOUT SERIOUS DOMESTIC DISTURBANCE FOR NEXT FEW YEARS. GIVEN ZAMBIAN NATIONAL CHARACTER (PHLEGMATIC AND POORLY MOTIVATED); ITS PRESENT GENERALLY LOW LEVEL OF EDUCATION AND EXPERIENCE IN SELF GOVERNMENT AND BUSINESS ORGANIZATION AND MANAGEMENT AND DEPRESSED ECONOMIC SITUATION, KAUNDA MAY HAVE TO CONTENT HIMSELF WITH NOTHING MORE THAN INCHING ALONG TOWARD MORE EGALITARIAN SOCIETY WHILE PERIODICALLY APPEALING FOR MAXIMUM EFFORT AS DONE JUNE 30. FAITHFUL WILL SHOUT "ONE ZAMBIA", BUT TWO ZAMBIAS WILL CONTINUE TO GROW, ONE RICH, ONE POOR, PART CAPITALIST, PART SOCIALIST. THIS SEEMS MORE IN KEEPING WITH PRESENT REALITIES, AND KAUNDA'S COMPROMISING STYLE RATHER THAN A MORE RADICAL SHIFT TO FULLY SOCIALIST COURSE ENFORCED BY MILITARY. THUS OUR NEAR TERM PREDICTION IN POLITICAL AND SOCIAL SECTOR IS FOR MORE OF SAME.  
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7. SEPTTEL WILL FOCUS ON ECONOMIC STIUTION AND OFFER ADVICE FOR AMERICAN INVESTORS, BUSINESSMEN AND BANKERS WHO WE BELIEVE MAY FIND IT INCREASINGLY DIFFCULT TO PLAN FOR LONG TERM INVESTMENTS IN ZAMBIA BECAUSE OF KAUNDA'S DICTUM: THAT FOREIGN CAPITAL WELCOME BUT ON ZAMBIAN TERMS AND WILL BE TOLERATED ONLY UNTIL ZAMBIA HAS CAPABILITY TO PLAN, FINANCE, AND MANAGE ENTERPRISES ON BEHALF OF ZAMBIAN POEPL E AS WHOLE RATHER THAN PRIVATE INDIVIDUALS. WILKOWSKI

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